

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Clio Area Library	County Genesee
Audit Date 6/30/05	Opinion Date 9/9/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

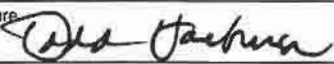
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Date 12/21/05	

Annual Financial Report
Clio Area Library
Genesee County, Michigan
June 30, 2005

**Clio Area Library
Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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Introductory Section

**Clio Area Library
List of Appointed Officials**

Mike Zinn.....President

Suzanna Thomas Treasurer

Sandra VuillemotSecretary

Carmon Fox

Sue Smith

Debora Turnbow

Financial Section

Independent Auditors' Report

The Honorable Members of the
Clio Area Library Board of Trustees
Genesee County, Michigan

We have audited the financial statements of the governmental activities of the Clio Area Library (Library) as of June 30, 2005, and for the year then ended, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities of the Clio Area Library at June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 and 4, and 17 through 19 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PLANTE & MORAN, PLLC

Certified Public Accountants
Flint Office

September 9, 2005

Management's Discussion and Analysis

**Clio Area Library
Management's Discussion and Analysis
June 30, 2005**

As management of Clio Area Library (Library), we offer readers of Clio Area Library's financial statements this narrative overview and analysis of the financial activities of the Clio Area Library.

The basic financial statements for the Clio Area Library are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances statement of activities and notes to the financial statements.

The statement of net assets presents the information of the entity's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental funds financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of Library are \$279,942 of which \$60,612 represents cash and cash equivalent and investments and \$192,531 represent capital assets.

Net assets decreased \$2,113 for the Library as a result of \$49,035 in expenses which are offset by program revenues of \$44,901 and interest and dividends of \$2,021.

The Library as a Whole

The following table shows, in a condensed format, the net assets of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Current assets	\$ 87,411	\$ 90,582
Noncurrent assets:		
Capital assets	<u>192,531</u>	<u>187,030</u>
Total assets	<u>279,942</u>	<u>277,612</u>
Current liabilities	4,443	-
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>4,443</u>	<u>-</u>
Net assets:		
Invested in capital assets – net of related debt	192,531	187,030
Restricted	16,221	15,274
Unrestricted	<u>66,747</u>	<u>75,308</u>
Total net assets	<u>\$275,499</u>	<u>\$277,612</u>

Summary Condensed Income Statement

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenue:		
Program revenue:		
Operating grants and contributions	\$ 38,501	\$ 38,500
Capital grants and contributions	6,400	-
General revenue:		
Interest and dividends	2,021	1,526
Total revenue	<u>46,922</u>	<u>40,026</u>
Program expenses:		
Library	<u>49,035</u>	<u>49,004</u>
Total program expenses	<u>49,035</u>	<u>49,004</u>
Change in net assets	(2,113)	(8,978)
Net assets – beginning of year	<u>277,612</u>	<u>286,590</u>
Net assets – end of year	<u>\$275,499</u>	<u>\$277,612</u>

Governmental Activities

The Library's total governmental revenues increased by approximately \$6,896. The increase is primarily due to a grant received for lighting improvements.

Expenses increased \$31 during the year.

Capital Assets

At the end of 2005, the Library had invested \$192,531 in equipment. The capital assets and their calculated net cost comply with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34.

Budget

There were no budget changes made during the year.

Debt

The Library does not have any long-term debt.

Contacting the Library's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vienna Township, 3400 West Vienna Road, Clio, Michigan 48420.

Basic Financial Statements

Government-wide Fund Financial Statements

**Clio Area Library
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2005**

	General Fund	Building Fund	Book Fund	Nonmajor Governmental Fund Permanent Fund Mary J. Lee Book Fund
Assets				
Cash and cash equivalents	\$ 56,902	\$ 3,068	\$ 642	\$ -
Investments	-	12,000	10,000	4,799
Internal receivables	14,288	-	-	-
Capital assets (net of accumulated depreciation)	-	-	-	-
Total assets	\$ 71,190	\$ 15,068	\$ 10,642	\$ 4,799
Liabilities				
Accounts payable	\$ 4,443	\$ -	\$ -	\$ -
Internal payables	-	14,288	-	-
Total liabilities	4,443	14,288	-	-
Fund balances/net assets				
Fund balances:				
Reserved for book purchases	-	-	10,642	4,799
Reserved for building maintenance	-	780	-	-
Unreserved	66,747	-	-	-
Total fund balances	66,747	780	10,642	4,799
Total liabilities and fund balance	\$ 71,190	\$ 15,068	\$ 10,642	\$ 4,799
Net assets:				
Invested in capital assets				
Restricted for:				
Book purchases				
Building maintenance				
Unrestricted				
Total net assets				

See notes to financial statements.

Total	Adjustments (Note IIA)	Statement of Net Assets
\$ 60,612	\$ -	\$ 60,612
26,799	-	26,799
14,288	(14,288)	-
-	192,531	192,531
<u>\$ 101,699</u>	178,243	279,942
\$ 4,443	-	4,443
14,288	(14,288)	-
18,731	(14,288)	4,443
15,441	(15,441)	-
780	(780)	-
66,747	(66,747)	-
82,968	(82,968)	-
<u>\$ 101,699</u>		
	192,531	192,531
	15,441	15,441
	780	780
	66,747	66,747
	<u>\$ 275,499</u>	<u>\$ 275,499</u>

**Clio Area Library
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2005**

				Nonmajor Governmental Fund
	General Fund	Building Fund	Book Fund	Permanent Fund Mary J. Lee Book Fund
Expenditures/expenses:				
Library operations	\$ 54,536	\$ -	\$ -	\$ -
Total expenditures/expenses	54,536	-	-	-
Revenues:				
Program revenues:				
Operating contributions - members	38,501	-	-	-
Capital grant	6,400	-	-	-
General revenue - interest and dividends	1,074	172	104	671
Total revenues	45,975	172	104	671
Excess (deficiency) of revenues over expenditures	(8,561)	172	104	671
Change in net assets	-	-	-	
Fund balance/net assets:				
Beginning of the year	75,308	608	10,538	4,128
End of the year	\$ 66,747	\$ 780	\$ 10,642	\$ 4,799

See notes to financial statements.

Total	Adjustments (Note IIB)	Statement of Activities
<u>\$ 54,536</u>	<u>\$ (5,501)</u>	<u>\$ 49,035</u>
<u>54,536</u>	<u>(5,501)</u>	<u>49,035</u>
38,501	-	38,501
6,400	-	6,400
<u>2,021</u>	<u>-</u>	<u>2,021</u>
<u>46,922</u>	<u>-</u>	<u>46,922</u>
(7,614)	-	(7,614)
-	5,501	5,501
<u>90,582</u>	<u>187,030</u>	<u>277,612</u>
<u>\$ 82,968</u>	<u>\$ 192,531</u>	<u>275,499</u>

Notes to Basic Financial Statements

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies

The accounting policies of the Clio Area Library (Library) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Clio Area Library.

A. Reporting entity

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and upon a favorable vote of the majority, will be released from the agreement.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although they can be legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Library currently does not have any component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Library currently does not have any business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, government contributions, and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if the funds exist. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library currently does not have any proprietary funds or fiduciary funds.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental contributions are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental contributions and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Fund is used to account for building maintenance costs.

The Book Fund is used to account for book purchases.

Additionally, the government reports the following fund type:

Permanent fund is used to report resources legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

If applicable, amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include governmental contributions and interest income.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition.

2. Investments

Investments for the Library are stated at fair value. Certificates of deposit with a maturity date of greater than 90 days at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets – (continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	5-10
Equipment and furniture	7

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Capital assets	<u>\$192,531</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$192,531</u></u>

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 17,810
Depreciation expense	<u>(12,309)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 5,501</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgets are prepared for the general fund and special revenue funds on a total fund basis prior to June 30 and are presented to the participating municipalities for their approval. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are reported on the financial statements as originally adopted or as amended by the board. Appropriations lapse at the end of each year. The budgets were not amended in the current year.

B. Excess of expenditures over appropriations

No funds incurred expenditures in excess of appropriations.

IV. Detailed notes on all funds

A. Deposits and investments

The Library's cash and cash equivalents consist of various interest-bearing savings and checking accounts.

At year end, the carrying amount of the Library's deposits was \$31,612, and the bank balance was \$31,612. Of the bank balance, \$31,612 or 100% was covered by Federal Depository Insurance.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 60,612
Investments	<u>26,799</u>
Total	<u>\$ 87,411</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposits)	\$ 31,612
Government and agency security mutual funds	4,799
Repurchase agreements (uninsured, unregistered U.S. securities maintained as collateral held in custodian's name)	<u>51,000</u>
	<u>\$ 87,411</u>

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Library Board has adopted the above as its investment policy and additionally approved the following as its authorized depository: National City Bank.

The Library's cash and investments are subject to certain types of risk, which are examined in more detail below:

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. gov. or agency bond or notes	\$ 51,000	Counterparty

Clio Area Library
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 56,700	\$ -	\$ -	\$ 56,700
Total capital assets, not being depreciated	56,700	-	-	56,700
Capital assets, being depreciated:				
Buildings and building improvements	370,589	17,810	-	388,399
Office equipment and furniture	5,291	-	-	5,291
Total capital assets being depreciated	375,880	17,810	-	393,690
Less accumulated depreciation for:				
Building and building improvements	(241,442)	(12,109)	-	(253,551)
Office equipment and furniture	(4,108)	(200)	-	(4,308)
Total accumulated depreciation	(245,550)	(12,309)	-	(257,859)
Total capital assets, being depreciated, net	130,330	5,501	-	135,831
Governmental activities capital assets, net	\$187,030	\$ 5,501	\$ -0-	\$192,531

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government \$ 12,309

Total depreciation expense - governmental activities \$ 12,309

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Fund	<u>\$ 14,288</u>

Clio Area Library
Notes to Financial Statements
June 30, 2005

V. Other information

A. Related party transactions

The Library contracts with Vienna Library (one of its members) to provide accounting services to the Library. The total amount of the contract for the year ended June 30, 2005, was \$1,300.

B. Risk management and contingent liabilities

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplementary Information

**Clio Area Library
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues				
Intergovernmental:				
Charter Township of Vienna	\$ 25,448	\$ 25,448	\$ 25,449	\$ 1
City of Clio	6,083	6,083	6,083	-
Thetford Township	6,969	6,969	6,969	-
Local Grants	-	-	6,400	6,400
Interest	300	300	1,074	774
Total revenues	38,800	38,800	45,975	7,175
Expenditures				
Current:				
Library operations:				
Utilities	13,800	13,800	14,100	(300)
Repairs and maintenance	25,700	25,700	7,954	17,746
Insurance	5,500	5,500	5,478	22
Audit and consulting	1,100	1,100	1,650	(550)
Custodial services	7,600	7,600	7,730	(130)
Office, postage, and miscellaneous	1,600	1,600	1,439	161
Grounds maintenance	1,300	1,300	670	630
Capital outlay	400	400	15,515	(15,115)
Total expenditures	57,000	57,000	54,536	2,464
(Deficiency) of revenue over expenditures	(18,200)	(18,200)	(8,561)	9,639
Fund balances at beginning of year	75,308	75,308	75,308	-
Fund balances at end of year	\$ 57,108	\$ 57,108	\$ 66,747	\$ 9,639

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

**Clio Area Library
Building Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues				
Interest	\$ 400	\$ 400	\$ 172	\$ (228)
Miscellaneous	200	200	-	(200)
Total revenues	600	600	172	(428)
Expenditures				
Repairs and maintenance	400	400	-	400
Total expenditures	400	400	-	400
Excess (deficiency) of revenues over expenditures	200	200	172	(28)
Fund balance - beginning of year	608	608	608	-
Fund balance - end of year	\$ 808	\$ 808	\$ 780	\$ (28)

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

Clio Area Library
Book Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Interest	\$ 200	\$ 200	\$ 104	\$ (96)
Expenditures				
Book expense	\$ 200	\$ 200	-	(200)
Excess of revenues over expenditures	-	-	104	104
Fund balance - beginning of year	10,538	10,538	10,538	-
Fund balance - end of year	\$ 10,538	\$ 10,538	\$ 10,642	\$ 104

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

September 9, 2005

Members of the Clio Area Library
Board of Trustees
Genesee County, Michigan

Dear Board of Trustees

We recently completed our audit of the financial statements of Clio Area Library (the "Library") for the year ended June 30, 2005. In addition to our audit report, we offer the following comments and recommendations.

GASB 34 – New Reporting Model

Capitalization Policy

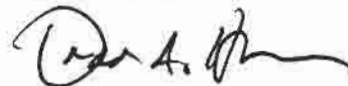
As a requirement of GASB 34, the board needs to formally adopt a capitalization policy for fixed assets. The policy will create a minimum cost of assets which are to be capitalized.

Check Stock

During the audit, it was noted that blank check stock is stored in an unlocked desk drawer. We recommend that blank check stock be stored in a secured area.

We would like to thank the Library for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Sincerely,
Plante & Moran, PLLC



Tadd A. Harburn, CPA